

Message Text

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PAGE 01 PRETOR 05269 050905Z
ACTION AF-10

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FM AMEMBASSY PRETORIA
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INFO AMCONSUL JOHANNESBURG POUCH

C O N F I D E N T I A L PRETORIA 5269

E. O. 11652: GDS
TAGS: BPRO BEXP EFIN SF
SUBJ: COMMERCIAL PROGRAM: SALE OF G.E. DIESEL ELECTRIC
LOCOMOTIVES TO DORMAN LONG VANDERBIJL CORP.

REF: STATE 236994, 222215

1. APPRECIATE STATEMENT OF CURRENT POLICY ON EX-IM
ACTIVITY IN SOUTH AFRICA.
2. ASSUMING NO CHANGE OF POLICY TOWARD EXTENDING EX-IM
CREDIT GUARANTEES TO SA WE SEE NO SPECIAL POLITICAL OR
OTHER OBJECTIONS TO THIS TRANSACTION. DEPT. SHOULD BE
AWARE THAT, DESPITE MODERATE SIZE AND LIMITED TERM,
ANNOUNCEMENT OF DEAL MAY BE INTERPRETED HERE AS INDICATION
THAT U.S. ECONOMIC POLICY TOWARD SA HAS NOT CHANGED.
3. WITH REGARD TO THE COMMERCIAL ASPECTS OF THE PROPOSAL,
FOLLOWING COMMENTS ARE OFFERED, BASED IN PART UPON
DISCUSSION BY COMMERCIAL OFFICER JOHANNESBURG WITH ROBERT
HIGHT, DIRECTOR, LOCOMOTIVE DIVISION, GENERAL ELECTRIC
SOUTH AFRICA (GESA). HIGHT IS A U.S. CITIZEN FAVORABLY
KNOWN TO CONGEN.
4. HIGHT EXPLAINED THAT GESA'S PARTICIPATION IS THROUGH A
CONSORTIUM SET UP SOME SEVEN YEARS AGO KNOWN AS THE
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SOUTH AFRICAN GENERAL ELECTRIC - DORMAN LONG LOCOMOTIVE
GROUP (GE-DL). PURPOSE IS TO HAVE GROUP THAT CAN
EFFECTIVELY MEET TENDER REQUIREMENTS OF SAG FOR LOCOMOTIVES
FOR SOUTH AFRICAN RAILWAYS AND HARBORS (SAR&H) WITH LOCAL
CONTENT REQUIREMENTS. HIGHT EXPLAINED THAT, OVER PAST
SEVEN YEARS, THROUGH THIS CONSORTIUM, GESA HAS PARTICIPATED
IN SALES OF OVER 400 LOCOMOTIVES TO SAR&H. IN SUBJECT CASE,

HIGHT SAYS GESA WILL SUPPLY COMPONENTS FOR FORTY LOCOMOTIVES. DORMAN-LONG WILL MEET TENDER DEADLINE OF OCTOBER 14TH TO SAR&H AND, THROUGH BRIDGE FINANCING, AS HE DESCRIBED IT, G.E. US (WITH EX-IM GUARANTEES) WILL SUPPLY CREDITS TO DORMAN-LONG WHICH IN TURN WILL PROVIDE FINANCING FOR SAR&H LOCOMOTIVES.

5. HIGHT SAYS THIS ONLY EFFECTIVE WAY GESA CAN CONTINUE TO PENETRATE MARKET GIVEN CURRENT DIFFICULTIES OF SAG PARASTATALS SUCH AS SAR&H, ESCOM, ETC. IN OBTAINING SAG GUARANTEES FOR PROJECT FINANCING AS NORMALLY REQUIRED BY OVERSEAS FINANCIAL INSTITUTIONS.

6. AS REPORTED JOHANNESBURG 650 AND SUBSEQUENT, GESA HAS LOST SOME RECENT SUBSTANTIAL SALES TO MALAWI FOR LOCOMOTIVES BUILT WITH SUBSTANTIAL US COMPONENT CONTENT DUE TO CANADIAN AID PROGRAM SOFT-WINDOW FINANCING. IT IS ANXIOUS TO NAIL DOWN THESE SALES.

7. WTDR CONTAINED IN JOHANNESBURG 1935, NOVEMBER 9, 1976 COVERS DORMAN-LONG VANDERBIJL CORPORATION. REPORT, WHICH REMAINS SUBSTANTIALLY CURRENT, PROVIDES EXCELLENT PROFILE AND FINANCIAL ANALYSIS OF THIS VERY LARGE FIRM WHICH EMPLOYS OVER 10,000 AND HAS EXCELLENT REPUTATION WITH BARCLAYS NATIONAL BANK HERE, AND WITH SUCH SUBSTANTIAL U.S. FIRMS WITH WHICH IT HAS BEEN ASSOCIATED FOR MANY YEARS
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AS CHICAGO BRIDGE, GENERAL ELECTRIC - U.S. AND PULLMAN STANDARD. ISCOR IS REPORTED TO HAVE CONTROLLING INTEREST IN DORMAN LONG.
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Sent Date: 05-Oct-1977 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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